

BEFORE THE  
Federal Communications Commission  
WASHINGTON, D.C.

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF SECRETARY

In the Matter of )  
 )  
Interconnection Between Local Exchange )  
Carriers and Commercial Mobile Radio )  
Service Providers )  
 )  
Equal Access and Interconnection )  
Obligations Pertaining to Commercial )  
Mobile Radio Service Providers )

CC Docket 95-185

CC Docket 94-54

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REPLY COMMENTS OF THE  
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## **SUMMARY**

Consistent with the Notice's tentative conclusions, the Commission should quickly adopt a comprehensive reciprocal termination plan to govern interconnection compensation between LECs and CMRS providers. The record in this proceeding supports this action. On reply, CTIA addresses the following:

### **ECONOMIC ISSUES**

- Neither usage sensitive prices (minutes of use) nor reciprocal termination sends fully optimal pricing signals. Furthermore, without detailed demand and cost information, it is not possible to determine that price signals will be more efficient with either a uniform price or a peak/off-peak price structure for interconnected traffic than with reciprocal termination.
- Usage sensitive pricing will impose higher transaction costs to measure and bill for interconnected traffic than will reciprocal termination.
- The risk of hindering competition and reducing static and dynamic efficiency is greater with usage sensitive compensation arrangements than with reciprocal termination, because usage sensitive compensation arrangements risk setting excessive prices for interconnection service.
- It is irrelevant that there currently exists an imbalance in total traffic between LECs and CMRS providers; the relevant inquiry is whether the costs each carrier incurs to terminate traffic are imbalanced. Evidence suggests that these termination costs are likely balanced.

- Concerns regarding arbitrage, i.e., interexchange carrier bypass of the LEC network and diversion of its traffic to the CMRS network in an effort to avoid access charges, are easily addressed. Existing civil and criminal provisions are readily available to thwart such efforts, especially considering that such action: (1) constitutes fraud, (2) cannot occur without the knowing cooperation of a federally-licensed CMRS carrier, and (3) can be easily detected at low cost.
- Reciprocal termination will not result in end user rates increasing or threatening universal service.
- Reciprocal termination is appropriate regardless of the point of interconnection and will not promote inefficient interconnection.
- Reciprocal termination does not promote CMRS "free riding" or result in a "giveaway" which will distort competition, and therefore does not constitute a "taking."
- Reciprocal termination will not lead to degraded service quality as LECs have a vested interest in minimizing the overall number of blocked calls, and CMRS traffic termination will not unduly tax their network.
- Because its application is limited solely to the price term for mutual termination of traffic, reciprocal termination does not interfere significantly with the LEC-CMRS interconnection negotiation process. CTIA supports good faith negotiations, and agrees that they have served the industry well. Rather than requesting the abolishment of the negotiation process, we request by our comments limited intervention by the Commission to set the rate for interconnection compensation.

### **PREEMPTION ISSUES**

- The Commission has the requisite authority under Section 332 and alternatively under Section 2(b) to preempt state regulation contrary to the Commission's reciprocal termination policy. A Commission decision to preempt in this regard would be entitled to Chevron deference upon judicial review.
- Congress has accorded CMRS networks' interconnection a different legal status than other networks.
- The Commission's adoption of reciprocal termination to govern the LEC-CMRS interconnection compensation relationship will not unfairly disadvantage new entrant wireline LEC competitors vis-a-vis CMRS carriers.

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**REPLY COMMENTS OF THE  
CELLULAR TELECOMMUNICATIONS INDUSTRY ASSOCIATION**

The Cellular Telecommunications Industry Association ("CTIA"), hereby submits its Reply Comments in the above-captioned proceeding.<sup>1</sup>

**INTRODUCTION**

In short, CTIA continues to support the Notice's tentative conclusions and urges the Commission to adopt quickly a comprehensive reciprocal termination plan to govern interconnection compensation between LECs and CMRS providers. On reply, CTIA addresses economic justifications for reciprocal termination and the Commission's authority to preempt state regulation in this area.

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<sup>1</sup> Interconnection Between Local Exchange Carriers and Commercial Mobile Radio Service Providers; Equal Access and Interconnection Obligations Pertaining to Commercial Mobile Radio Service Providers, Notice of Proposed Rulemaking in CC Dockets 95-185 and 94-54, FCC 95-505 (released January 11, 1996) ("Notice").

**I. AS A MATTER OF POLICY, THE COMMISSION SHOULD ADOPT A  
RECIPROCAL TERMINATION REQUIREMENT.**

**A. Reciprocal Termination Sufficiently Approximates  
Carrier Marginal Cost of Terminating Traffic.**

As noted in CTIA's Comments,<sup>2</sup> the interconnection compensation arrangement selected by the Commission in this proceeding should allow carriers to recover their incremental costs of providing termination services, and should maximize the net economic efficiency of pricing signals.<sup>3</sup> On balance, reciprocal termination fulfills these requirements to a greater extent than any other available and implementable alternative.

In this regard, CTIA submitted an analysis as part of its initial Comments from Dr. Bridger Mitchell and Dr. Steven Brenner, of Charles River Associates Inc., which examined the economic issues underlying the choice of compensation arrangements to govern LEC to CMRS interconnection compensation.<sup>4</sup> From an efficiency perspective, reciprocal termination is more advantageous than other traditional cost recovery mechanisms.

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<sup>2</sup> CTIA Comments at 20.

<sup>3</sup> Efficiency gains associated with an interconnection arrangement must be netted against the cost of obtaining those gains. These costs include implementation and maintenance of the arrangement, as well as dynamic costs associated with the arrangement's effect on competition and competitive entry.

<sup>4</sup> Dr. Bridger Mitchell and Dr. Steven Brenner, Charles River Associates, Economic Issues in the Choice of Compensation Arrangements for Interconnection Between CMRS and Local Exchange Carriers, (March 4, 1996), attached as an exhibit to CTIA's initial Comments, (hereinafter "Economic Issues").

Cost Recovery. Carriers are able to recover their costs of providing termination services under a reciprocal termination arrangement; in other words, carriers do not receive interconnection services for free. Each carrier incurs a cost obligation in exchange for the interconnection services it receives from the other carrier, because each receives termination services only in exchange for providing termination services for the other carrier. Therefore, whether, under reciprocal termination, carriers bear costs equal to the cost of interconnection services provided to them depends not on whether total traffic flows between interconnected carriers are equal, but on the amount of traffic each carrier receives for termination during its system busy hour, and the capacity cost per minute that each carrier incurs to terminate that busy hour traffic. Termination costs may be equal even where total traffic flows are imbalanced, and there are good reasons to believe that this may be the case with regard to LEC-CMRS interconnection.

Pricing Efficiency. Choosing among compensation arrangements also requires consideration of the efficiency of price signals under each arrangement. However, neither a reciprocal termination arrangement nor a usage sensitive pricing arrangement sends fully optimal price signals. Because the prices that in theory would be fully optimal will not be feasible in practice, it will be necessary to choose among arrangements with less than fully optimal price signals.

It turns out that neither "second-best" pricing alternative results in optimally efficient price signals. Reciprocal termination which sets a price of zero for terminating additional traffic is optimal for the substantial volume of interconnected traffic that imposes no capacity costs, but is too low for traffic during the busy hour. On the other hand, a uniform price per minute, even if set no higher than the average cost per minute of terminating traffic, will be too high to send efficient pricing signals for traffic that does not impose capacity costs, and too low to send efficient pricing signals for most or all traffic that does impose capacity costs. Indeed, "a uniform price per minute might be correct 'on average,' in the sense that average revenue per minute might be about the same as with optimal prices. This is a case, however, where being right on average means being wrong almost all of the time."<sup>5</sup> Uniform per minute prices are nearly always too high or too low; both situations are inefficient. Charging too high a price inefficiently discourages use, while charging too low a price inefficiently encourages use.

Peak/off-peak pricing also will not send fully efficient price signals. This is so because prices likely will be too high to send efficient pricing signals for one portion of the peak period, and prices will be too low to send efficient pricing signals for all or most of the balance of the peak period. In

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<sup>5</sup> Economic Issues at 31.

sum, without detailed demand and cost information, it is not possible to conclude that price signals will be more efficient with either a uniform price or a peak/off-peak price structure than with a reciprocal termination arrangement.

.. Appropriate price signals are not the only static efficiency concern associated with selection of an interconnection compensation arrangement. The cost of implementing and maintaining a compensation arrangement must be considered as well. Usage sensitive compensation arrangements will impose higher transactions costs to track and bill usage than will reciprocal termination arrangements. Given that the issue of allocative efficiency cannot be definitively resolved in favor of any feasible compensation arrangement, the higher cost of implementing and maintaining a revenue-based system indicates that overall static efficiency may weigh in favor of reciprocal termination.

Dynamic efficiency concerns add substantially more weight in favor of reciprocal termination. High prices for interconnection will increase the cost of serving a subscriber far more for CMRS providers than for LECs. Therefore, excessive prices will limit the ability of CMRS providers to provide competition for LEC service. The risk of hindering competition and reducing dynamic efficiency is greater with revenue-based compensation arrangements than with reciprocal termination arrangements, because the risk of setting excessive prices for interconnection

service is greater with usage sensitive compensation arrangements.

This is so because under reciprocal termination the amount each provider must pay to get interconnection services from the other does not depend on regulatory authorities having accurate information and making difficult decisions, nor does it depend upon negotiation with LECs possessing market power. The cost of interconnection services is determined by the cost of terminating traffic originated on other networks, which is largely unaffected by regulatory decisions and offers little opportunity for LEC exercise of market power.

On the other hand, with revenue-based pricing, the cost of interconnection services to a provider depends on the price level that is set. There is a substantial risk that this price will be too high if regulation specifies only the structure of rates, but not their level. In negotiated arrangements, a LEC will have substantially greater bargaining power than CMRS providers. In addition, the LEC can disadvantage competing suppliers with a higher price for interconnection service, even if regulation forces the LEC to pay the same high price per minute for reciprocal interconnection. Because LECs use far less of these services, raising the price will raise the costs of rivals relative to the LECs' own costs.

**B. Arguments in Opposition to Reciprocal Termination Are Unpersuasive.**

LEC economic arguments against adoption of an interconnection compensation scheme premised upon reciprocal termination generally fall into one of the following categories:

- the imbalance in total traffic terminated by LECs and CMRS providers necessarily results in LECs bearing a disproportionate termination cost burden;
- adopting reciprocal termination for CMRS providers will result in arbitrage activity by other interconnecting carriers, including IXCs;
- the contribution to LEC fixed costs and universal service obligations presently made by CMRS providers would have to be replaced if the Commission adopts reciprocal termination;
- implementing reciprocal termination regardless of the point of interconnection will promote inefficient interconnection;
- reciprocal termination is a "giveaway" or subsidy for CMRS providers and will distort competition;
- reciprocal termination could lead to degraded service quality; and
- the Commission should defer to LEC decisions as to whether the cost of collecting interconnection charges makes it inefficient to impose such charges.

As explained below, these arguments are without merit.

**1. The Relative Burden of Termination Costs Is Not Solely Determined by the Balance of Traffic Terminated, Nor by the Total Cost of Serving Customers.**

The comments in opposition to reciprocal termination generally argue that reciprocal termination is inappropriate because the total amount of traffic terminated on CMRS and LEC

networks is imbalanced. These arguments ignore the fact that balance of total traffic is neither a necessary nor a sufficient condition for termination costs to be balanced. Whether carriers bear costs equal to the costs of termination provided to them depends upon the amount of traffic each carrier receives for termination in its busy hour and the capacity cost per minute that each carrier incurs to terminate busy hour traffic. In this manner, total traffic balances and cost per minute may vary between carriers which have equal costs of termination. Thus, to the extent that CMRS termination costs exceed LEC termination costs, the total costs of termination for LECs and CMRS providers are more nearly equal.

Moreover, it is important to remember that traffic terminated during the busy hour is the only traffic which imposes an incremental cost on the terminating carrier. As described in Economic Issues:

Only additional traffic that presses on the capacity of network facilities imposes a cost. Since facilities are sized to provide a specified grade of service during the busy hour, only increases in traffic during the busy hour require investments to increase capacity. It is accurate to say that the costs of the shared network facilities are usage sensitive, but only in the sense that they vary with some usage, namely usage during the busy hour. These costs are not sensitive to, or increased by, all increases in traffic. Additional traffic outside the busy hour of a facility, which can be accommodated without increasing capacity, imposes almost no additional costs.<sup>6</sup>

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<sup>6</sup> Economic Issues at 24.

It is also important to remember that the busy hour for LECs and CMRS providers appears to be noncoincident. Therefore, if most CMRS traffic is terminated by LECs during the CMRS busy hour,<sup>7</sup> and if most LEC traffic is terminated during the CMRS busy hour, then the total cost of termination for LECs and CMRS providers may be more nearly equal than the total traffic imbalance would seem to indicate.

Similarly, the total cost of serving customers is not relevant to the question of whether the total busy hour incremental cost of terminating traffic is equal. This is so because the total cost for LECs to serve their customers includes the cost of loops, which have no bearing on the incremental cost of terminating traffic. Thus, LEC arguments that they serve the highest cost customers are inapposite. Indeed, as noted in CTIA's Comments and below, it is likely that CMRS providers face higher incremental costs of terminating traffic than LECs.

**2. Adopting Reciprocal Termination for CMRS Providers Will Not Result in Arbitrage Activity by Other Interconnecting Carriers.**

Another argument raised against reciprocal termination is the fear that other carriers, particularly IXC's, will seek to "disguise" their traffic as CMRS traffic to take advantage of the reciprocal termination compensation scheme. For the reasons set

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<sup>7</sup> Because most CMRS traffic is terminated on LEC networks, this would appear likely.

forth below, this fear of "arbitrage" activity is without foundation.

First, where the Commission specifies a specific interconnection compensation scheme for a specific type of traffic, attempts to evade that compensation scheme would amount to fraud, an offense that invokes both civil and criminal penalties. And, IXCs seeking to engage in such activity will have entered into a conspiracy to commit fraud with a CMRS provider, thereby compounding the offense.

Second, arbitrage could be detected at low cost. It is extremely unlikely that LECs would be unable to detect month-to-month declines in the amount of switched access minutes terminated by a given IXC. Significantly, the party with the vested interest in policing arbitrage activity is best positioned to do so, and already has monitoring and measuring functions in place. For example, the carrier common line charge (CCL) and local switching charge are assessed to IXCs on a per-access minute of use basis.<sup>8</sup>

Finally, CTIA recognizes that the competitive changes occasioned by the passage and implementation of the Telecommunications Act of 1996 likely will require modifications to the access charge system. However, this is true regardless of the Commission's decision in this proceeding. Parties arguing that all interconnection and access pricing must be resolved in

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<sup>8</sup> See 47 CFR § 69.105, 47 CFR § 69.106.

the same proceeding or in a certain order are substantially arguing to preserve the status quo. The need for access charge reform is not caused by the Commission's consideration of appropriate LEC-CMRS interconnection compensation schemes, and the Commission should resist efforts to establish such a linkage.

**3. Present CMRS "Contribution" to LEC Revenues Need Not Be Replaced; Universal Service Obligations Should Not Be Maintained Through Interconnection Charges.**

LEC commenters also argue that the revenues currently generated by CMRS interconnection compensation payments must be maintained. LECs argue that loss of these revenues would require that other LEC rates, and particularly local rates, would have to be increased to recover the shortfall. The primary justification for this argument is that Universal Service will be threatened in the absence of CMRS interconnection revenues or increases in other rates.

These arguments are unpersuasive for several reasons. First, arguing that the present level of contribution should be preserved assumes that the present level of contribution is appropriate and proper, which has not been demonstrated. Second, it appears that CMRS interconnection revenues contribute little, if anything, to universal service funding; instead revenues most likely are simply available for general corporate purposes. Moreover, "converting" present CMRS interconnection revenues into a formal universal service contribution would skew competition. These considerations are more fully set forth below.

First, positing that present LEC interconnection revenues should be maintained implicitly assumes that the present level of such revenues is appropriate. This is not the case considering that present LEC charges include mark-ups above incremental costs and that CMRS providers generally are not compensated for terminating LEC traffic. In other words, a shift to reciprocal termination would require most LECs to incur a new cost without being relieved of another only because most LECs presently do not pay to terminate calls on CMRS networks. Thus, LECs presently receive termination services for free because they neither pay for such services nor do they incur a reciprocal obligation to provide termination services in exchange for services received. As a result, the present level of compensation received by LECs for interconnection is overstated and is neither efficient nor fair.

The LEC concern that other rates would have to increase to replace the lost CMRS revenues implicitly assumes that LECs are now being strictly constrained to earn no more than a "normal" return, which in effect would require that other rates have been lowered to take advantage of the level of contribution made by CMRS interconnection charges. This is unlikely to have occurred, because CMRS call volumes (and therefore compensation to LECs) have grown rapidly in the last several years. The level of contribution currently earned by LECs from CMRS interconnection will not be fully reflected in lower rates for other services

unless a recent rate case has recalculated and "trued-up" all rates (including interconnection) to the current revenue requirement or a 100% sharing formula has required LECs to reduce rates to offset completely any amount which earned an "super-normal" rate for return. Without such a true-up of rates to the level of contribution now being earned, some or all of the increased contribution will have flowed to the LEC bottom line. Thus, it appears likely that CMRS interconnection revenues are not used by LECs to offset universal service obligations.

**4. Implementing Reciprocal Termination Regardless of the Point of Interconnection Will Not Promote Inefficient Interconnection.**

Commenters opposing reciprocal termination also argue that reciprocal termination will result in inefficient choices of technical interconnection arrangements, i.e. , that CMRS providers and LECs will seek to interconnect with the terminating network in a manner that minimizes their own costs, without regard for the cost of the terminating network. However, this argument proves too much. It is true that if reciprocal termination does not send efficient price signals (i.e., for traffic terminated in the busy hour) carriers will interconnect in a manner that minimizes their internal costs. However, the same criticism applies to existing pricing arrangements, and, as demonstrated in Economic Issues, to any feasible pricing arrangement. As noted by CTIA in its Comments, the issue of

efficient pricing signals cannot be definitively resolved either for or against any one pricing scheme.

In addition, it is worth noting that LECs will not necessarily have incentives to set rates that send efficient pricing signals. They will have incentives to distort the choices of CMRS providers if, by doing so, they can increase the cost of interconnection for CMRS providers.

**5. Reciprocal Termination Does Not Subsidize CMRS Providers, Nor Does It Constitute A "Taking".**

LECs argue that reciprocal termination is a "giveaway" program for CMRS providers and will distort competition. However, this argument ignores the fact that a reciprocal compensation arrangement imposes an obligation on both interconnecting carriers to terminate traffic originated by the other carrier. As noted above, whether the total cost of fulfilling this obligation will be equal depends upon each carrier's incremental cost of terminating traffic during its busy hour. Also as noted above, it is far from clear that reciprocal termination will impose significantly different costs on LECs and CMRS providers. Indeed, considering the current compensation scheme, one may conclude that CMRS providers presently subsidize the competitive interests of LECs by enhancing LEC profitability. Seen in this light, the LECs are essentially arguing that being

deprived of their present subsidy amounts to a subsidy of their previous victims.<sup>9</sup>

Because reciprocal termination sufficiently permits LECs to recover their costs to terminate CMRS traffic, LEC assertions that reciprocal termination constitutes an unconstitutional taking<sup>10</sup> are inappropriate.<sup>11</sup>

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<sup>9</sup> Cf. Ass'n of Public-Safety Communications Officials-Int'l, Inc. v. FCC, No. 95-1104, at note 5 (D.C. Cir. Feb. 16, 1996). Regarding the FCC's revocation of its exemption of incumbent public safety microwave licensees not being required to relocate to different spectrum, the D.C. Circuit found:

We note, as developed at oral argument, that the revocation of the initial exception may cause public safety organizations to suffer an additional injury that may not be cognizable by this court. Under the original program exempting public safety providers from forced relocation, the petitioners [APCO] would likely have enjoyed substantial leverage in their voluntary negotiations with PCS providers. Any PCS licensee whose services can only operate in clear spectrum would be forced to pay extraordinary costs, or 'rents,' to the incumbent, since the PCS operator's license could be rendered virtually useless by an incumbent's refusal to relocate voluntarily. While the petitioners undoubtedly have a significant financial interest in protecting the ability to exact such payments, their loss of rent-seeking potential is hardly a cognizable injury for consideration either by the FCC or by this court since their place on the spectrum was originally derived from a grant from the government.

In fact, the Commission's reference to comments submitted by UTAM expressing concern that the exemption would allow public safety providers to exact payments above and beyond the actual costs of relocation . . . adds further support to our finding that the Commission based its ultimate decision on evidence in the record. (citation omitted, emphasis omitted).

<sup>10</sup> See, e.g., BellSouth Corporation Comments at 18-20; U S West, Inc. Comments at 49-53; Bell Atlantic Comments at 8-9.

In adopting reciprocal termination, the Washington Utilities and Transportation Commission found:

[i]t is thus simply wrong to suggest that the bill and keep procedure means that calls are being terminated 'for free.' The termination function is paid for, not by the originating company, but by the end-use customer in his flat monthly charge. That charge covers all access to and from the public switched network. Under bill and keep, a company is fully compensated for most call terminations by its own customer.

It also should be kept in mind that confiscation in this context is measured not by any particular element of a rate structure, but by whether the end result of the entire process results in sufficient rates overall.<sup>12</sup>

In other words, as long as the LECs can recover their costs within their rate structure, there is no confiscatory rate. Moreover, in this case, LECs are permitted sufficient cost recovery<sup>13</sup> under reciprocal termination so that the "takings" issue is not implicated.<sup>14</sup>

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<sup>11</sup>(...continued)

<sup>11</sup> It appears from a review of the record that no one objects in particular to the concept of reciprocal termination as constituting an unconstitutional taking, rather to its application in this case.

<sup>12</sup> Washington Util. and Transportation Commission v. U S West Communications, Inc., Fourth Supplemental Order Rejecting Tariff Filings and Ordering Refiling; Granting Complaints in Part in Docket Nos. UT-941464, UT-941465, UT-950146, and UT-950265, at 35-36 (October 31, 1995) (emphasis omitted) (citation to FPC v. Hope Natural Gas Co., 320 U.S. 591 (1944)).

<sup>13</sup> See Duquesne Light v. Barasch, 488 U.S. 299, 308 (1989) ("If the rate does not afford sufficient compensation, the State has taken the use of the utility property without paying just compensation.")

<sup>14</sup> Cf. California v. FCC, Nos. 94-70197, 95-70470, 95-70519, 95-70571 (9th Cir. January 31, 1996) (FCC free passage rule, which required free transport of Caller ID information over  
(continued...))

**6. Reciprocal Termination Will Not Lead to Degraded Service Quality.**

Reciprocal termination opponents also argue that because carriers receive no additional revenue from terminating additional calling in the busy hour, the profitability of investing in additional capacity is reduced. In the absence of a remunerative incentive to build additional capacity, they fear that service quality will be degraded and calls will routinely be blocked during the busy hour.

This argument ignores the realities of an increasingly competitive environment. Termination revenues are not the only economic incentive to construct sufficient busy hour capacity. It may be argued that the primary incentive to invest in capacity is the need to offer high quality service; in this case, high quality service means minimal blocking. This is especially true considering the fact that LEC-originated and InterLATA traffic makes up the bulk of traffic terminated on LEC networks. In other words, the LECs' own customers will suffer the most from insufficient investment, a situation which the competitive firms will not tolerate. The simple fact is that all carriers have strong incentives to establish and maintain a reputation for quality; decisions on capacity will not be made solely on the

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<sup>14</sup>(...continued)  
the SS7 networks, upheld; marginal costs to transport information viewed as de minimis).

basis of incremental revenues derived from interconnection charges.

Moreover, any incentive to degrade service quality associated with reciprocal termination applies with equal force to LEC subscribers with flat rate plans, which undoubtedly affects a much larger proportion of traffic than that originated by CMRS subscribers. Since this lack of additional revenue from the flat rate customers has not led to degraded service, terminating busy hour calls provides no incentive to degrade service.

**7. The Commission Should Decide Whether the Cost of Collecting Interconnection Charges Makes It Inefficient to Impose Such Charges.**

Given that no approach to termination rates can be preferred on the basis of efficient allocative price signals, the transaction costs of implementing a collection system tips the scale in favor of reciprocal termination. Commenters opposing reciprocal termination anticipate this argument by stating that the Commission should allow LECs to make the cost/benefit analysis of whether anticipated interconnection revenues will exceed the cost of billing and collecting those revenues. Such a procedure is unlikely to result in an efficient outcome.

First, the basis of a LEC's decision will be whether revenues exceed costs, not whether the cost of collection exceeds the loss in welfare due to higher-than-efficient demand for termination during the busy hour. Moreover, if the cost of

collection is included in the price LECs may charge for interconnection, then the LEC will always want to collect the revenue regardless of whether or not such collection would be efficient. The LEC choice will also ignore the costs that collection imposes on the CMRS provider, which must be included in determining whether such collection is efficient.

Finally, even if collection costs exceeded revenue, LECs might still choose to collect interconnection charges if doing so imposed costs on CMRS providers that increased CMRS providers' marginal cost more than it raised LEC marginal costs. For this reason, the Commission, not the LEC, should be the decision maker.

**8. Reciprocal Termination Does Not Interfere Significantly With the LEC/CMRS Interconnection Negotiation Process.**

Several commenters take issue with CTIA's advocacy of a reciprocal termination approach, alluding that our support of reciprocal termination diverges from recent statements we made regarding the mobile service industry's overall satisfaction with the good faith negotiations process currently governing LEC/CMRS interconnection.<sup>15</sup>

This misapprehends the views we have set forth in this proceeding and previously. For the record, CTIA supports good faith negotiations, and agrees that they have served the industry

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<sup>15</sup> Commenters cited to the two sets of comments and reply comments CTIA filed in CC Docket 94-54.